

TEKOA SCHOOL DISTRICT No. 265
Whitman County, Washington
September 1, 1990 Through August 31, 1992

Schedule Of Findings

1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Payroll expenditures for fiscal year 1992 Department of Education ESSIA Chapter 1 Program (CFDA 84.010) did not comply with federal regulations. Charges to the program were processed through the school district's payroll system using a predetermined rate. The district prepares records documenting the actual employee hours used for the Chapter 1 Program. In fiscal year 1992, the actual time used for the program was less than the rate applied and charged to the program for reimbursement by \$3,268.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.

In the absence of a reliable system that meets the federal requirements, payroll costs were charged to the Chapter 1 Program for services not provided to the program. (See Schedule of Questioned Costs.)

We recommend the implementation of a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll.

2. District Should Comply With National School Lunch Program Record Retention Requirements

The school district did not comply with federal regulations pertaining to retention of records for the National School Lunch Program. Claims submitted for reimbursement indicate the number of free, reduced price, and regular price lunches served to eligible students. The school district is subsequently reimbursed based upon the number of lunches reported. Our tests of the National School Lunch Program included determination of whether the number of lunches reported on the claim for reimbursement were supported by daily lunch count records. The records supporting the number of lunches claimed for reimbursement for the periods under audit were not retained by the school district. Because there were no records we could not determine whether the number of free, reduced price, and regular price lunches claimed for reimbursement represented actual lunches served.

Chapter 40.14 RCW establishes requirements for the preservation and destruction of public records. RCW 40.14.060 reads in part:

(1) . . . Official public records shall not be destroyed unless:

- (a) The records are six or more years old;
- (b) The department of origin of the records has made a satisfactory showing to the state records committee that the retention of the records is both unnecessary and uneconomical, particularly if lesser federal retention periods for records generated by the state under federal programs have been established

7 Codification of Federal Regulations, Section 210.9 states in part:

. . . Upon request make all accounts and records pertaining to its school food service available . . . for audit and review . . . Such records shall be retained for a period of 3 years after the date of the final Claim for Reimbursement for the fiscal year to which they pertain.

According to district personnel, the records were not retained because they were unaware of the applicable requirements.

Without the daily meal count records, we were not able to audit the districts claims for reimbursement for the school lunch program.

We recommend that the district retain all records in accordance with applicable state and federal requirements.

3. Travel Advances Should Be Made In Accordance With Washington State Statutes

The district is inappropriately providing travel advances to district personnel by issuing checks from their Associated Student Body, Food Services, and Revolving checking accounts.

- a. Many checks were made payable to "cash" or to the bank. The money was then given to an employee. Records were not maintained to identify who received the money.
- b. These accounts were used to pay meals for students involved in special activities out of the district. Detail records of the participating students and district personnel were not always provided to support the costs.
- c. We noted instances of signed, blank checks being given to someone traveling with students to pay for meals.

Chapter 42.24.115 through 42.24.160 RCW provides for the payment of travel advances and limitations for the operation of advance travel accounts. Procedures for travel advances are also prescribed by the State Auditor's Office, *Budgeting, Accounting and Reporting System*, Volume 1, Part 3, Chapter 3, pages 19 through 21.

In the absence of a properly established revolving account solely for travel advances, travel costs should be paid by the employee and proper reimbursement sought for travel costs.

We recommend that the district establish procedures to comply with state travel statutes.

4. Internal Control Should Be Strengthened For Cash Receipting And Disbursing

The following conditions were noted which we consider to be material weaknesses in the internal control structure for checking accounts:

- a. Inadequate segregation of duties exist for the operation of the district's four imprest checking accounts and the depository account. The same individual prepares receipt documents, prepares deposits and disbursements, signs checks, performs bank reconciliations, performs account coding duties, authorizes and prepares vouchers for imprest account reimbursements, and performs all accounting record duties.
- b. Deposits are incorrectly recorded in the depository checking register. The register lists each receipt issued rather than the amount and date of the deposit.
- c. Deposits were made into incorrect checking accounts causing the depository account to be overdrawn. Cash was transferred from other accounts to cover the overdrafts.
- d. Checks were issued payable to cash or the bank's name.
- e. Checks were signed in blank.
- f. The mode of payment received is not indicated on the receipts.
- g. Receipts are not issued for all moneys received by the district.
- h. Vouchers reimbursing imprest accounts were not always adequately supported.

Chapter 43.09.200 RCW states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

The "Common Rule," Subpart C, Section___.20(b)(3) states:

Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

The current system for cash receipting and disbursing in place at the district significantly increases the risk that errors and irregularities could occur and not be detected in a timely fashion. Because not all moneys are receipted, we cannot be assured that all revenues received have been recorded in the accounting records. Because reimbursement vouchers tested were not always adequately supported, we cannot be assured that all expenditures were for allowable purposes.

We recommend that district officials establish adequate internal control for receipting and disbursing accounting systems.

5. Charges To The ESSIA Chapter 1 Program Need To Be Supported And Properly Allocated Between Applicable Programs

Tekoa School District made unsupported charges of \$489 to the ESSIA Chapter 1 Program (CFDA 84.010) in fiscal year 1991.

In fiscal year 1992, the district purchased computer equipment for more than one program. The Chapter 1 Program was incorrectly allocated \$346 of the cost of the equipment.

OMB "Common Rule" for *Administrative Requirements for Grants and Cooperative Agreements To State and Local Governments* under Subpart C - Post Award Requirements states in part:

Accounting Records . . . subgrantees (local units) must maintain records which adequately identify the source and application of funds provided for financially assisted activities.

Allowable Cost. Applicable OMB cost principles, agency program regulations and the terms of the grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

Inadequate support and improper cost allocation to the Chapter 1 Program have resulted in the questioned charges shown in the Schedule of Questioned Costs.

We recommend the district implement procedures which ensures that only properly supported and allowable costs are charged to federal programs.